



## **Nacimiento Project Commission Notice of Meeting and Agenda**

**Thursday, December 15, 2005 – 4:00 pm  
Templeton Community Services District Board Room  
420 Crocker Street, Templeton CA**

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- I. Call to Order, Roll Call, and Flag Salute
  - II. Public Comment  
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.
  - III. Meeting Notes from October 27, 2005  
(RECOMMEND APPROVAL)
  - IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
    - a. Project Management Report
    - b. Project Schedule
    - c. Project Budget
  - V. PRESENTATIONS – no action required.
    - a. None
  - VI. COMMISSION ACTION ITEMS  
(Commission action only, no subsequent Board of Supervisors action required)
    - a. Reserve Capacity Construction Cost Component Methodology
    - b. Year 2006 Meeting Calendar
  - VII. COMMISSION ACTION ITEMS  
(Board of Supervisors action is subsequently required)
    - a. Commission Membership
    - b. Revised Policy on Nacimiento Water Pipeline Sizing
    - c. Appraiser Services
  - VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

### Commissioners

**Harry Ovitt, Chair**, SLO  
County Flood Control & Water  
Conservation District

**Dave Romero, Vice Chair**,  
City of San Luis Obispo

**David Brooks**, Templeton CSD

**Grigger Jones**, Atascadero  
MWC

**Frank Mecham**, City of El  
Paso de Robles

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**Next Commission meeting scheduled for Thursday, February 23, 2006,  
at 4:00 pm at Templeton Community Services District offices.**

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Nacimiento Project Commission  
December 15, 2005  
**Agenda Item III – Meeting Notes from October 27, 2005**

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**I. Call to Order, Roll Call and Flag Salute**

Chairman Ovitt convened the meeting at 4:03 pm.

Commissioners Present:      Chairman Harry Ovitt  
   Vice-Chairman Dave Romero  
   Frank Mecham, City of el Paso de Robles  
   Grigger Jones, Atascadero MWC  
   Judith Dietch, Templeton CSD.

**II. Public Comment**

There was no public comment.

**III. Meeting Notes from October 27, 2005 Meeting**

Meeting notes from the October 27, 2005, meeting were unanimously approved.

**IV. Commission Information Items**

John Hollenbeck delivered the project management report, clarifying that bathymetric surveys are needed to establish the lake profile affecting the intake tower construction. He alerted the Commission that appraisal proposals are pending and are expected to exceed the \$90,000 line item budget.

Mr. Hollenbeck confirmed that potential new participants would pay their share of supplemental CEQA findings. He also clarified that the Nacimiento pipeline easement would only be recorded for “multi-use” to accommodate foreseeable projects to be installed by participants during an immediate time frame as the Project’s construction.

Mr. Hollenbeck reported that arrangements are underway to obtain right-of-entry to the proposed intake structure location near the dam. All participants granted easements on their property free of charge to the Nacimiento project. Formal action along this line to take place once final easement documents are drawn up. The team is moving forward with easement procurement on private properties now.

Mr. Hollenbeck reminded Commissioners that nominations for 2006 officers would be accepted in December. He also agreed to return with recommendations for limiting the size of the Commission by December 2005 after further discussion with the Technical Support Group.

Chairman Ovitt asked what conditions were associated with Federal Water Resources Act funding. Mr. Hollenbeck replied that Army Corps involvement during the construction phase would likely be less cumbersome than during design. The question arose “In the event that we secure state or federal funding, would that amount be additive to or inclusive in the \$150 million budget?” Paavo Ogren responded that the Commission would have to deliberate on that point in light of the Delivery Entitlement Contract terms and other considerations.

## **V. Presentations**

Steve Foellmi, Black & Veatch, conducted a presentation on the construction cost estimate for the EIR-described alignment and facilities. The estimated cost of the EIR-defined “Raw Water Alternative” was updated according to current material, labor and fuel costs. The result was that the \$150 million project defined in 2002 may cost \$180 million (in Sept 2005 dollars) once construction begins in 2007. In other words, the design team seeks at least \$30 million in savings. Mr. Foellmi presented cost saving ideas for using smaller pipes but still capable of satisfying the hydraulic criteria, and also suggested that the Project may want to reconsider carrying the Reserved Capacity all the way over Cuesta Grade. Bringing in new participants would also spread costs among more agencies. Regarding the Reserved Capacity, the design approach to conveying this volume of water has financial, hydraulic and operational ramifications. Considering the design schedule, Commission input by April 2006 would allow for orderly progress. This issue to be agendized both with Technical Support Group and Commission in the coming months.

Paavo Ogren, Technical Support Group representative for the District, presented a report concerning Project governance, noting that the current contracts are similar to a joint powers agreement. Perhaps amendments to the contracts could be processed to achieve a desired result. If an overall change in governance is sought, there is a need to first define the goals and objectives of such a change. Commissioner Jones recalled that the governance discussion was deferred from 2004 and seeks an analysis to compare and contrast various approaches. Commissioner Jones also expressed concern of timing of governance selection, especially if a change is desired by the Participants and how that relates to the timing of debt issuance. Chairman Ovitt noted that desirable governance during design may vary in ongoing operations. There may be financing advantages to flood control district ownership, too. Mr. Ogren sees a connection between County land use concerns and use of reserved capacity, estimating \$40 million District contributions to project over 30 year bond term. Commissioner Mecham noted that decisions by others, namely the District’s Board of Supervisors, have a potential affect on Paso Robles especially relating to project costs. Technically, the Board of Supervisors could override a recommendation made by the Commission. Commissioner Mecham noted that a goal of Paso Robles would be to seek financial obligations aligned with their authority over the project. The Commission directed the issue to the Technical Support Group, who is to return with a revised report on governance alternatives in February 2006. The revised report is to document staff’s understanding of Commission goals and objectives, then compare the pros and cons of a joint powers authority, special zone, and the current contract approach both now and during ongoing operations. Mr. Hollenbeck asked the

Commissioners to share their individual ideas on goals and objectives with their TSG representative to assure the TSG will accommodate the Commission's desire.

#### **VI. Commission Action (No Board Action Required)**

Mr. Hollenbeck's understanding is that DWR has Proposition 50 applications in hand representing ten times available funding. Commissioner Jones moved to approve the proposed letter of support; Vice-chair Romero seconded; passed unanimously.

#### **VII. Commission Action (Subsequent Board Action Required)**

Mr. Hollenbeck reviewed proposed conditions for Cayucos' participation. He clarified that Cayucos and other new participants would pay their share of design costs, that all Cayucos parties were indeed included in project EIR, and that the contract amendment limiting Commission membership could be in place before new participants were brought on board. Commissioner Mecham moved to proceed with conditions stated; Vice-Chair seconded; passed unanimously.

Mr. Hollenbeck reviewed the proposed additional authorization to ESA's contract to process the anticipated supplemental or amended EIR. Commissioner Jones moved support for up to \$150,000 amendment; Commissioner Mecham seconded; passed unanimously.

Commissioner Mecham stepped down from discussion on Agenda Item VII.a, the proposed amendment to TJ Cross' contract. Mr. Hollenbeck reviewed the proposed extension of Mrs. Halley's services through the bid phase at an additional fee of \$220,000. Commissioner Romero moved support of the contract amendment; Commissioner Jones seconded; motion passed 4-0.

#### **VIII. Future Agenda Items Desired by the Commission**

None noted.

Commissioner Ovitt adjourned the meeting at 6:00 pm.

Submitted by Christine Halley, TJCross Engineers  
and John R. Hollenbeck, Nacimiento Project Manager

Nacimiento Project Commission  
December 15, 2005  
**Agenda Item IV.a – Project Management Report**  
(Information Only – No Action Required)

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**PROJECT RESOURCES**

1. At the October 27, 2005, Commission Meeting, staff reported that an amendment to the ESA's contract for environmental support services was needed, and your Commission approved entering into negotiations for additional scope of work with an upper fee limit of \$150,000. Staff negotiated the additional scope for a fee limit of \$100,000.
2. At the October 27, 2005, Commission Meeting, staff reported that a bathymetric (below water) topographic survey was needed to map conditions near where the intake portals will extend into the lake. Staff negotiated the additional scope of work with B&V and their survey subconsultant for \$6,900.
3. Staff has been working with Hamner-Jewell & Associates to solicit proposals from local appraisers. Staff is continuing to negotiate the scope of work and fee, and the report under Agenda **Item VII.c** is included for Commission action.

**PROJECT ISSUES**

**Prospective NWP Participants**

There is no new status to report on the participation of Heritage Ranch CSD, Camp Roberts, or Camp San Luis. Black & Veatch (B&V) and the District are continuing to evaluate their participation.

A private land owner in the Cayucos area, Mr. James Maino, contacted John Hollenbeck to inquire about participating in a volume large enough to support 15 new subdivided lots for single family homes. The contact was preliminary in nature. The District is encouraging Mr. Maino to coordinate with CSA-10 for possible participation.

**Status of Financial Issues**

At the December 6, 2005, County Board of Supervisors meeting, the Board approved unanimously in favor of adopting the Integrated Regional Water Management Plan. With the adoption of the plan before year's end, the Nacimiento Water Project is eligible for up to \$26M in grant funding through Proposition 50. Notification from the California Department of Water Resources is expected in January 2006.

## **Status of Project Delivery Team Activities**

**Right-of-Way** Hamner-Jewell & Associates worked extensively in October and November to secure right-of-entry for the geotechnical exploration work along the pipeline alignment. As of this reporting date, the only properties which have not granted a right-of-entry are:

- Rabbit Ridge Winery – The winery manager has met with the geotechnical team and all activities have been confirmed; however, the Owner has not returned an executed right-of-entry agreement. A representative for the Owner advises the agreement has been submitted to the Owner's attorney for review. Further follow-up with this property owner is underway.
- LaSalle Property along El Camino Real – The Santa Margarita Creek passes through this Owner's property, and the pipeline will cross the creek at this location. This Owner is meeting with Project Representatives to better understand the Project's mitigation crossing this environmentally sensitive stream.

The Project Manager has been working with County Counsel in parallel to prepare for obtaining court authorization to access these properties while the Project Team negotiations continue with these property owners. The geotechnical work is scheduled to be concluded in the next few weeks and access to these parcels is critical to collecting technical subsurface information to support the design effort.

At the October 27, 2005, Commission meeting, staff reported that a right-of-entry to the Monterey County Water Resource Agency land had been denied. Subsequent to that report, the Project Team has worked extensively with the land owner and the lessee and a right-of-entry to conduct geotechnical exploration has been obtained.

## **Environmental Permitting**

The District's design phase environmental consultant, ESA, Inc., continues to make good progress on the project. ESA completed their initial oversight of geotechnical surveys, reviewing areas slated for subsurface testing. The geotechnical permitting effort (for actions in wetlands) continued at the same time, with draft applications to the California Department of Fish & Game (CDFG) and the Regional Water Quality Control Board.

ESA met with the Army Corps of Engineers and CDFG, to verify the wetland delineation and discuss wetland permitting for the project. The delineation was accepted with minor changes (it will need further work when the alignment is finalized), and CDFG will allow the project to use an expedited process for Stream Alteration Agreements.

ESA submitted to District staff a scope to perform an addendum to the project EIR, which will address small project changes and refinements including one new element: a power line across Camp Roberts.

The resource report deliverables to support the permit application submittals early next year have been substantially completed. Moving forward, ESA will be assisting the District with the Corps' "outgrant" (i.e., easement) process to allow the pipeline across Camp Roberts, and beginning to work on the Mitigation and Monitoring Plans.

**Design Engineering** The focus of the design team continues to be the development of technical memoranda that are submitted to the District and the TSG for review and comments. This cooperative collaboration of technical issues ultimately will lead to the delivery and acceptance of a Preliminary Design Report, which when approved will serve as the foundation for the Project's design and construction.

At the October 27, 2005, Commission meeting, B&V presented their first construction cost opinion for the EIR-defined alignment and facilities, and alerted your Commission that construction costs are in the order of \$30M over the budget amount. B&V further identified possible cost saving strategies.

One of these strategies is the topic of a staff report presented in Agenda **Item VII.b.** If adopted, this strategy could nominally reduce the construction by between \$8- and \$9-million.

**Financing Team** The Board of Supervisors and the San Luis Obispo County Financing Authority both approved the Bond Anticipation Note (BAN) for use as short-term financing through the Design Phase in the amount of \$6.74M for the City of San Luis Obispo. The BAN is scheduled to close on December 21, 2005.

### **Commission Officer Nominations**

Per Article IV.B of the Commission Rules of Procedure adopted October 2004, at the first regular meeting of the calendar year, a Chair and Vice Chair shall be elected from amongst the Commissioners by majority vote of Commissioners present. Staff requests that the Commission be prepared to conduct this nomination and voting at the next regular Commission meeting, scheduled for February 23, 2006.

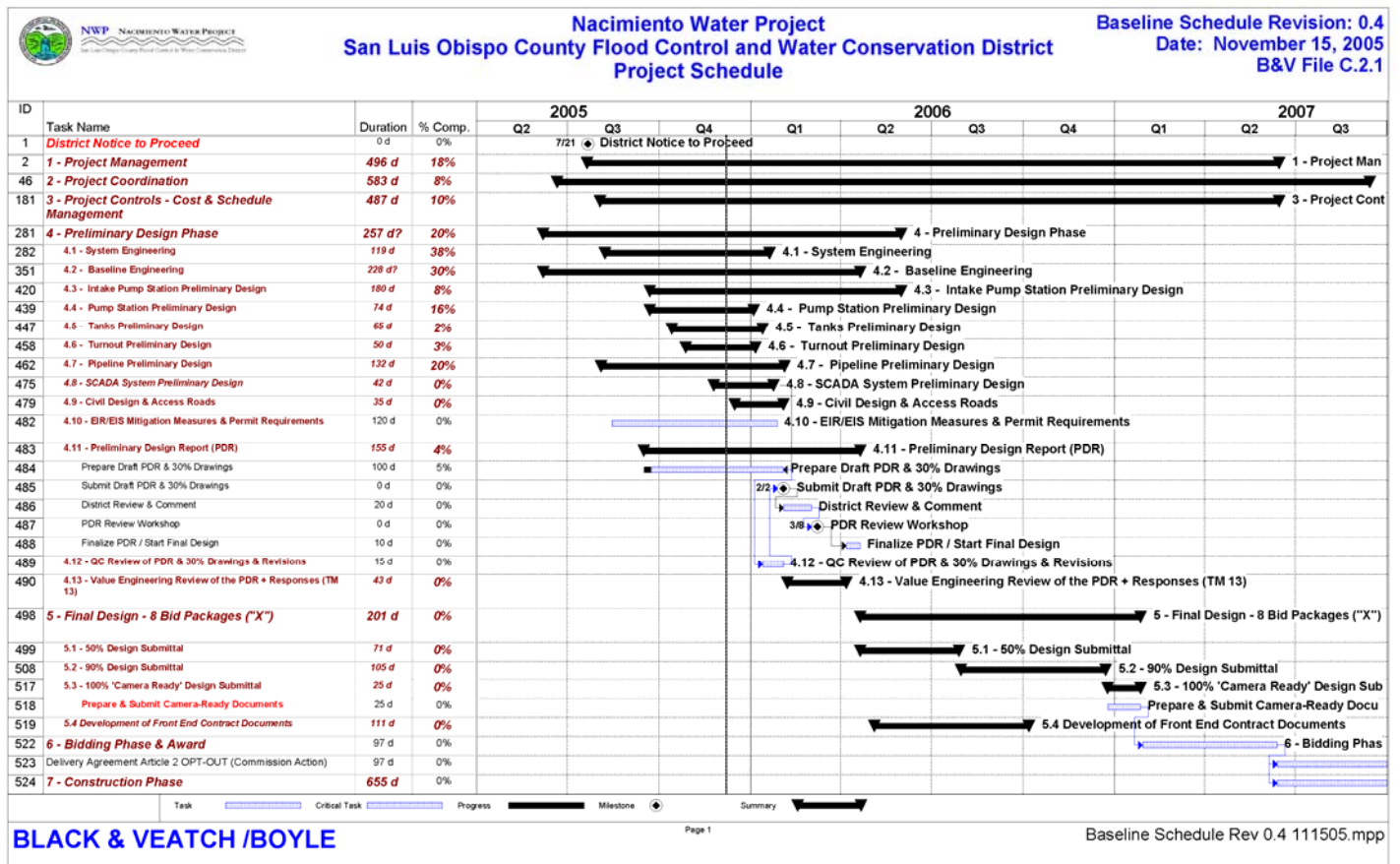


# Nacimiento Project Commission

## December 15, 2005

### Agenda Item IV.b – Project Schedule (Information Only – No Action Required)

B&V is committed to delivering the Draft Preliminary Design Report in early February 2006, and other scheduled deliverables are also on schedule. The bar chart schedule below is a summary of project activities.



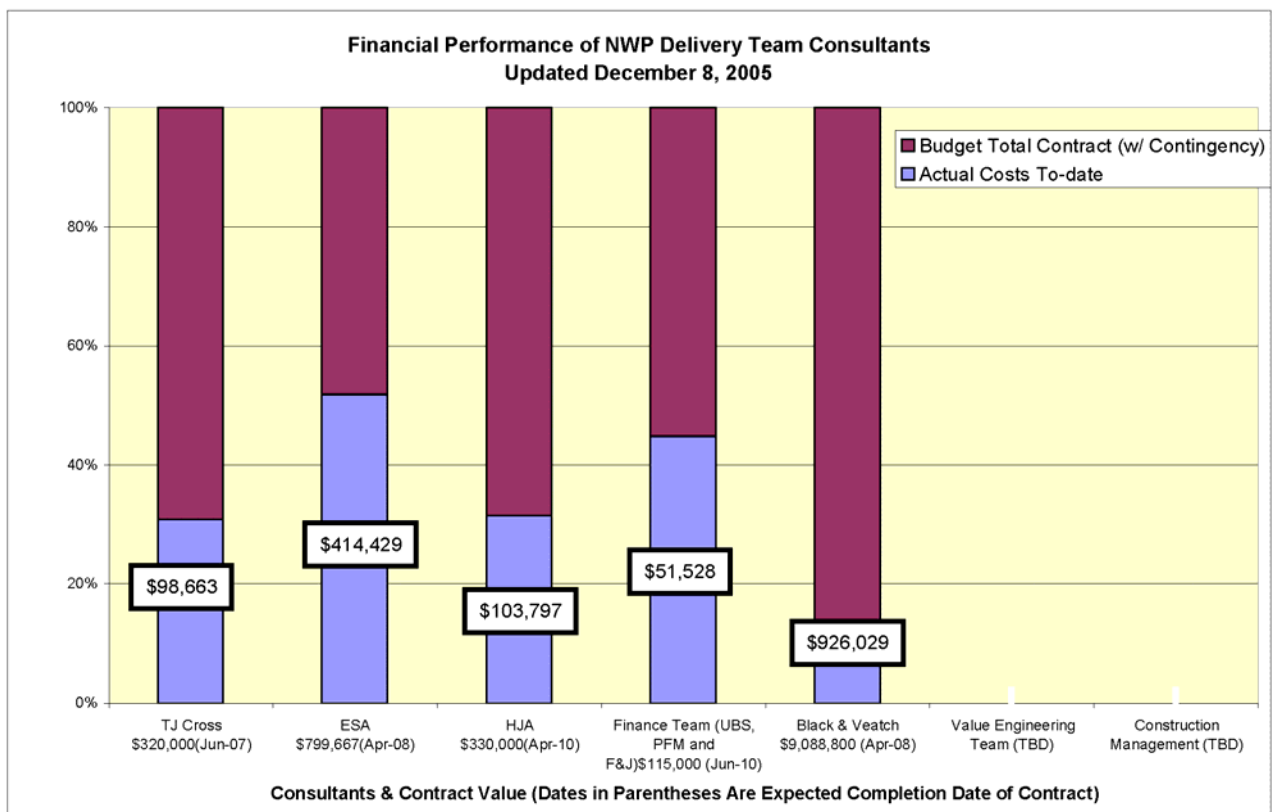


Nacimientto Project Commission  
December 15, 2005  
**Agenda Item IV.c – Project Budget**  
(Information Only – No Action Required)

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The project budget reporting table (last page of this Item) has been updated to reflect costs-to-date through November 30, 2005. The graphic below illustrates the performance of the various consultant teams based on invoices received and approved as of the date indicated in the graphic. Please note that the values in this graphic may not coincide with those reported in the budget table because the budget table is through close of the financial month, whereas the graphic reflects current information.

The financial performance graphic has been updated to reflect the District's Board approving the amendment to the TJ Cross Agreement. The amendment to the ESA Agreement is scheduled for Board consideration on December 20, 2005.



**Nacimiento Water Project  
Project Budget Reporting  
Report Ending Period: 11/30/05**

	Initial Budget	Revised Budget as Approved February 2005	Cost to Date thru 11/30/05	Remaining Budget	Projected Total Cost as of 7/19/05	Projected Variance (Budget Vs. Cost)	Comments
<b>Design Phase Anticipated Costs</b>							
Project Management	\$1,250,000	\$1,875,000	\$745,113	\$1,129,887	\$1,875,000	\$0	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$800,000	\$356,621	\$443,379	\$799,667	\$333	ESA-Includes design assistance, permit applications, agency coordination.
PG&E Service Extension	\$1,100,000	\$1,100,000	\$5,170	\$1,094,830	\$1,100,000	\$0	Initial estimate to extend power to proposed facilities
Right of Way Consulting Services	\$500,000	\$425,000	\$161,674	\$263,326	\$425,000	\$0	Hamner-Jewell contract plus allowance for appraisal and title reports by others
Property Acquisition	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	Initial CM services authorization
Engineering Design (Includes geotechnical & survey)	\$10,250,000	\$9,650,000	\$938,000	\$8,712,000	\$9,088,800	\$561,200	Black and Veatch Corporation
Finance	\$0	\$115,000		\$115,000	\$115,000	\$0	PFM, UBS, and Fulbright&Jaworski
					Total Variance=	\$561,533	
Design Phase Budget Reserve	\$1,000,000	\$935,000		\$935,000	\$1,496,533		
<b>SUMMARY - DESIGN PHASE</b>	<b>\$18,900,000</b>	<b>\$18,900,000</b>	<b>\$2,206,578</b>	<b>\$16,693,422</b>	<b>\$18,900,000</b>		
<b>Construction Phase Anticipated Costs</b>							
Project Management	\$2,325,000	\$2,712,500		\$2,712,500	\$2,712,500	\$0	2/05-extended +4 months
							Contingency item (estimated as approximately 4% of construction cost) for pipeline realignment, special construction techniques, and other costs incurred due to unforeseen environmental issues
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$3,720,000	\$0	
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$4,185,000	\$0	Est. at 4.5% of construction cost, inc design phase work
							Includes cost for cultural and biological monitors during construction
Environmental Monitoring	\$1,800,000	\$1,800,000		\$1,800,000	\$1,800,000	\$0	
Construction Contracts	\$93,000,000	\$93,000,000		\$93,000,000	\$93,000,000	\$0	
Construction Phase Contingency and Reserve	\$24,231,000	\$23,838,500		\$23,838,500	\$23,838,500	\$0	
<b>SUMMARY - CONST. PHASE</b>	<b>\$129,556,000</b>	<b>\$129,556,000</b>	<b>\$0</b>	<b>\$129,556,000</b>	<b>\$129,556,000</b>	<b>\$0</b>	
<b>Prior Expenses</b>							
Advance Expenditures	\$513,000	\$513,000		\$513,000	\$513,000	\$0	
							Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel
Cuesta Tunnel	\$1,031,000	\$1,031,000		\$1,031,000	\$1,031,000	\$0	
				\$0	\$0	\$0	
<b>TOTAL PROJECT*</b>	<b>\$150,000,000</b>	<b>\$150,000,000</b>	<b>\$2,206,578</b>	<b>\$147,793,422</b>	<b>\$150,000,000</b>	<b>\$561,533</b>	

\* Rounded to \$100k

**Memorandum(s):**

Positive Projected Variance indicates costs are under the revised line item budget.

Recent Update: 12/6/05

Nacimientto Project Commission  
December 15, 2005  
**Agenda Item VI.a – Reserve Capacity Construction Cost  
Component Methodology**  
(Commission Action Only; No Subsequent Board Action Required)

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**TO:** Nacimientto Project Commission

**FROM:** John R. Hollenbeck, P.E., Nacimientto Project Manager

**VIA:** Noel King, Director, Department of Public Works

**DATE:** December 15, 2005

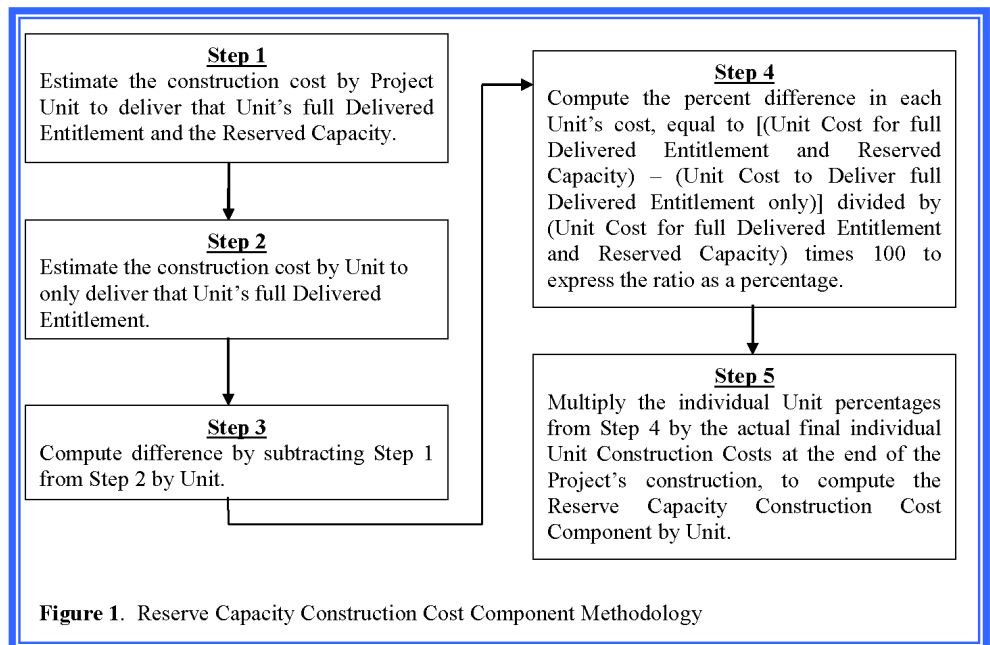
**Recommendation**

Adopt the policy describing the methodology for computing the Reserve Capacity Construction Cost Component for each Project Unit, as described in **Figure 1** herein, for the Nacimientto Water Project (Project).

**Discussion**

The methodology for computing the cost of delivering the Reserved Capacity within each Project Unit was initially developed during the preliminary engineering phase of the Project (circa 2004). At the October 6, 2005, design workshop conducted by Black & Veatch (B&V), the Project's design engineer, they presented a method for computing the Reserve Capacity Construction Cost Component by Project Unit. The steps they proposed are presented in **Figure 1**.

Implementing the methodology will yield the Reserve Capacity Construction Cost Component by Project Unit; however, this does not imply that the Project Units will be individually bid for construction. The Unit Construction Cost may be based on individual Project Unit contracts, but more likely the Unit



Construction Cost will be a computed value based on the information obtained from the bid tabs of each construction contract plus the construction change orders, noting that construction change orders must be managed to identify them with each Project Unit.

A review of the analysis presented in October indicates that the methodology presented and recommend by B&V is reasonable, and it is supported by the TSG and the Project Manager. B&V has proposed to compute these unit percentages with the method described above after the pipeline alignment and appurtenances have been permanently established, the system hydraulics are finalized, and the Engineer's Opinion of Construction Cost has been finalized.

### **Other Agency Involvement**

Reserve Capacity Construction Cost Component methodology will affect the construction costs incurred by future participants, which may affect whether potential Other Participants will be able to afford to participate.

### **Financial Considerations**

Other Participants who execute Like Contracts will contribute to the Project costs which will reduce Initial Participant's costs.

### **Results**

Approval of the recommended action will result in the establishment of a methodology for computing Reserve Capacity Construction Cost Component in order to allocate construction costs, which has been judged reasonable by the TSG and the Project Manager.

Nacimiento Project Commission  
December 15, 2005  
**Agenda Item VI.b – Year 2006 Meeting Calendar**  
(Commission Action Only; No Subsequent Board Action Required)

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**TO:** Nacimiento Project Commission  
**FROM:** John R. Hollenbeck, P.E., Nacimiento Project Manager  
**VIA:** Noel King, Director, Department of Public Works  
**DATE:** December 15, 2005

**Recommendations**

Recommend adoption of the Year 2006 Meeting Calendar presented following this report.

**Discussion**

The scheduling of meetings is arranged in the same manner as Calendar Year 2005.

The Commission needs to be alerted that a potential exists in the early part of this year to have special meetings when deemed necessary to meet project schedule requirements or when Commission decision and direction is needed to advance the design. Staff will alert your Commission if such special meetings become necessary.

**Other Agency Involvement**

None

**Financial Considerations**

None

**Results**

Approval of the recommended action will result in assuring that staff and Commission personnel are informed well in advance of the scheduled activities in order for the Project to conduct business.

## Nacimiento Project Commission 2006 Calendar of Activities

Revised November 23, 2005

<b>JAN</b> <b>TSG</b> – meet on Thursday, Jan 12, 2006 at 2:00 pm in Atascadero <b>Commission</b> – Dark	<b>FEB</b> <b>TSG</b> – meet on Thursday, Feb 9, 2006 at 2:00 pm in Paso Robles <b>Commission</b> – meet on Thursday, Feb 23, 2006 at 4:00 pm in Templeton	<b>MAR</b> <b>TSG</b> – meet on Thursday, Mar 9, 2006 at 2:00 pm in San Luis Obispo <b>Commission</b> – Dark
<b>APR</b> <b>TSG</b> – meet on Thursday, Apr 13, 2006 at 2:00 pm in Atascadero <b>Commission</b> – meet on Thursday, Apr 27, 2006 at 4:00 pm in Templeton	<b>MAY</b> <b>TSG</b> – meet on Thursday, May 11, 2006 at 2:00 pm in Paso Robles <b>Commission</b> – Dark	<b>JUN</b> <b>TSG</b> – meet on Thursday, Jun 8, 2006 at 2:00 pm in San Luis Obispo <b>Commission</b> – meet on Thursday, Jun 22, 2006 at 4:00 pm in Templeton
<b>JUL</b> <b>TSG</b> – meet on Thursday, Jul 13, 2006 at 2:00 pm in Atascadero <b>Commission</b> – Dark	<b>AUG</b> <b>TSG</b> – meet on Thursday, Aug 10, 2006 at 2:00 pm in Paso Robles <b>Commission</b> – meet on Thursday, Aug 24, 2006 at 4:00 pm in Templeton	<b>SEP</b> <b>TSG</b> – meet on Thursday, Sep 14, 2006 at 2:00 pm in San Luis Obispo <b>Commission</b> – Dark
<b>OCT</b> <b>TSG</b> – meet on Thursday, Oct 12, 2006 at 2:00 pm in Atascadero <b>Commission</b> – meet on Thursday, Oct 26, 2006 at 4:00 pm in Templeton	<b>NOV</b> <b>TSG</b> – meet on Thursday, Nov 9, 2006 at 2:00 pm in Paso Robles <b>TSG</b> – meet on Thursday, Nov 30, 2006 at 2:00 pm in San Luis Obispo <b>Commission</b> – Dark	<b>DEC</b> <b>Commission</b> – meet on Thursday, Dec 14, 2006 at 4:00 pm in Templeton <b>TSG</b> - Dark

Nacimiento Project Commission  
December 15, 2005  
**Agenda Item VII.a – Commission Membership**  
(Commission Action Required; Subsequent Board Action Required)

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**TO:** Nacimiento Project Commission

**FROM:** John R. Hollenbeck, P.E., Nacimiento Project Manager

**VIA:** Noel King, Director, Department of Public Works

**DATE:** December 15, 2005

**Recommendation**

Amend the Nacimiento Water Project (Project) Delivery Entitlement Contracts (Contracts), the Nacimiento Commission By-Laws, and the Nacimiento Commission Rules of Procedures to set a maximum limit of Commissioners to seven (the five existing Commissioners plus two Other Participant Commissioners having subscribed for a minimum Delivery Entitlement of 1,000 acre-feet per year) based on the substantially complete language proposed and presented as **Exhibit A**.

**Discussion**

During formation of the Nacimiento Project Commission (Commission), Commissioners recognized that more participants would join the project over time and that if left as-is, the Contracts would allow an additional Commissioner for every new Other Participant<sup>1</sup>. It is foreseeable, then that the Commission could grow to a large number making the conduct of business complex and cumbersome.

At the August 2005, Commission meeting, the Commission requested a report addressing alternatives for limiting the size of the Commission such that guidelines could be put in place before specific requests were put forth for Other Participants.

Several alternatives for limiting the Commission size were evaluated at the Technical Support Group (TSG) meetings in October-, November-, and December-2005, and are presented as **Table 1**.

The TSG brings to your Commission the following recommendations:

- Recommendation for Alternative 2 which sets the maximum seat limit of the Commission to seven (the five existing Commissioners and two Other Participants that execute Delivery Entitlement Contract for a minimum of 1,000 acre-feet per year.)

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<sup>1</sup> This Report will utilize terminology identical to Contract Article 1 – Definitions.





- Recommendation to allow and encourage any Participant regardless of whether they have a seat on the Commission to have a technical representative involved with the TSG.

**Table 1. Commission Membership Alternatives**

<b>Alt ID</b>	<b>Description<sup>2</sup></b>	<b>Advantages Noted</b>	<b>Disadvantages Noted</b>
1	Do Nothing Alternative. Leave Commission membership in accordance with Article 33 of the Contract.	Might be viewed as most attractive to potential Other Participants since investing in Delivery Entitlement would also be associated with active project oversight.	The Commission could conceivably grow large making the conduct of business complex and with higher administrative costs. It would also fail to align Commission oversight with the investment in the Project.
2	Commission seats limited to 7 commissioners: <ul style="list-style-type: none"> <li>- Five original Commissioners</li> <li>- Other Participant must hold a minimum Delivery Entitlement of 1,000 acre-feet per year.</li> </ul>	Limiting the size of the Commission to a reasonable size and establishing an Entitlement limit for those entities making a considerable investment in the Project.	Limitations may be discouraging to new Other Participants.
3	Commission seats limited to those holding seats as of October 2005, plus Other Participants holding at least 500 AFY of Delivery Entitlement.	Preserves the existing Commission makeup and adds only those entities making a considerable investment in the Project.	Commission may still grow large considering that 6,120 AFY remains in Reserved Capacity.
4	Commission seats limited to 7 commissioners consisting of one District representative plus representatives of the 6 largest Delivery Entitlements on the project.	Sets a cap on the size of the Commission and calls for the participation of those holding the largest Delivery Entitlements.	Conceivably, current Participants could lose their place on the Commission were a larger Other Participant to join in the Project.
5	Commission seats limited to 7 commissioners representing the District plus the 6 largest customer bases measured by number of service connections served by the Participant.	Sets the maximum size of the Commission and calls for participation of those representing the largest number of customers/rate payers.	Potential for Participants to lose their seat on the Commission and difficulties in counting service connections for the military bases or other non-urban Participants. Also, a small entitlement by a large customer base could unduly sway Commission composition.

### **Other Agency Involvement**

Limiting the size of the Commission will affect voting rights of the Initial and Other Participants, may affect who is represented on the Commission, and may have a bearing on the decision to participate by potential Other Participants.

<sup>2</sup> In all alternatives, the District's vote is computed in accordance with Article 33 of the Contract.

All new Other Participants are encouraged to have a technical representative on the TSG regardless if they have a seat on the Commission.

### **Financial Considerations**

There are two feasible financial impacts associated with limiting the size of the Commission. One is rather minor and has to do with administrative savings associated with a smaller set of Commissioners.

The other is a consequence of a potential Other Participant who may decide to not participate in the Project because they would not have oversight representation on the Commission. The limited size and conditions for having a seat on the Commission may be perceived as a deterrent to a potential Other Participant, leaving Reserved Capacity costs to be carried by the remaining Participants. The proposed policy, however, would encourage the Other Participant to actively be engaged with the TSG which serves as the staff to the Commission.

### **Results**

Approval of the recommended action will result in limiting the size of the Commission which contributes to orderly and manageable Project oversight and should align Commission representation in the Project proceedings with the amount of financial investment (i.e., Entitlement) by a particular entity.

## **EXHIBIT A - COMMISSION AGENDA ITEM VII.A**

### **NACIMIENTO PROJECT COMMISSION DECEMBER 15, 2005**

#### **Proposed Modifications to the Nacimiento Water Commission Membership**

The Nacimiento Water Project (Project) is governed by a Lead Agency-Commission form of governance. The Lead Agency is the San Luis Obispo County Flood Control and Water Conservation District (District). The Nacimiento Project Commission (Commission) is established by Article 33 of the Delivery Entitlement Contract (Contract) executed by the District and the Project's Participants.

The substantially complete proposed language modifications (subject to further review and edits by the Participants and District) outline the modifications to the Commission Membership:

- The Commission shall have a maximum number of seven Commission seats expected to include the five original seats at the time the first Contracts were executed (c. August 2004), and two new Commission seats as Other Participants enter into Contract based on the conditions described herein.

The Commission membership is expected to include:

- Four seats shall be held by the four Initial Participants in the Project.
  - One seat held by a District representative.
  - The other two seats shall be filled with Other Participants who have executed a Contract for a minimum volume of Delivery Entitlement equal to or greater than 1,000 acre-feet per year.
- Voting rights on the Commission shall be in accordance with Article 33 of the Contract. Voting rights for seated Commission representatives can change if:
    - A seated Initial Participant or seated Other Participant changes their Delivery Entitlement through a fully executed amendment to the Contract.
    - The number of seats filled or vacated on the Commission changes.
  - An Initial Participant shall have a seat on the Commission regardless of the quantity of their Delivery Entitlement.
  - An Other Participant can have a seat on the Commission only if there is a vacant seat on the Commission and they satisfy the conditions described herein.
  - All Participants are encouraged to have a technical representative on the Technical Support Group regardless of whether they have a seat on the Commission.

- Once the seventh seat on the Commission has been filled then the Commission membership is full and no Other Participant shall be seated on the Commission or have a voting right on the Commission regardless of the Delivery Entitlement contracted by the Other Participant. Once the seventh seat on the Commission has been filled, then the voting rights will be fixed unless changes in Delivery Entitlement occur or a seat becomes vacated, both described herein.
- Any of the Initial Participants or Other Participants can choose to not have a seated representative on the Commission if that Initial Participant or Other Participant submits their request in writing to the Commission and the Commission accepts and approves their withdrawal from the Commission body. The written request shall be a letter signed by a representative of the Initial Participant's or Other Participant's governing body or a resolution of the governing board of the Initial Participant or Other Participant, confirming the request to vacate the seat on the Commission. Voting rights would automatically change in accordance with Article 33 of the Contract once the Commission has accepted and approved the requested vacating of the Initial Participant's or Other Participant's seat.

Any Commission seat which becomes vacant in that manner can be filled with an Other Participant that enters into a Contract, or is an existing Other Participant not currently seated on the Commission, and the Other Participant and their participation is in accordance with the conditions described herein. Existing Other Participants will be given preference in the chronological order of the earliest execution of a Contract.

Any Initial Participant which vacates their seat on the Commission has the potential to regain a seat on the Commission but must regain that seat in accordance with the conditions described herein for an Other Participant.

Nacimiento Project Commission  
December 15, 2005  
**Agenda Item VII.b – Revised Policy on Nacimiento Water  
Pipeline Sizing**  
(Commission Action Required; Subsequent Board Action Required)

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**TO:** Nacimiento Project Commission

**FROM:** John R. Hollenbeck, P.E., Nacimiento Project Manager

**VIA:** Noel King, Director, Department of Public Works

**DATE:** December 15, 2005

**Recommendations**

It is recommended that your Nacimiento Project Commission (Commission) approve the recommended pipeline sizing modifications which will re-distribution the Reserved Capacity for the Nacimiento Water Project (Project) based on Alternative 1 presented herein and will assist in mitigating construction cost increases.

**Discussion**

The Delivery Entitlement Contracts (Contracts) executed by the Initial Participants (c. August 2004) allowed for the delivery of all Reserved Capacity to the terminus point of the Pipeline, located at the end of Unit H1 at the City of San Luis Obispo's water treatment plant. The computation of the Reserved Capacity under existing Contracts is as follows:

<b>Participant</b>	<b>Delivered Entitlement</b>
Paso Robles, City of	4,000 AF/yr
Templeton CSD	250 AF/yr
Atascadero MWC	2,000 AF/yr
San Luis Obispo, City of	3,380 AF/yr
Total Delivered Entitlement Under Contract	9,630 AF/yr
<b>Reserved Capacity (15,750 AF/yr less Total Delivered Entitlement Under Contract)</b>	<b>6,120 AF/yr</b>

When the District's Board of Supervisors adopted a policy on February 4, 2004, to distribute all of the Reserved Capacity to any location along the Project, the volume of the Reserved Capacity was estimated to be 2,625 AF/yr based on the list of potential Participants provided in the Project's Environmental Impact Report (EIR).

Since that time and with the execution of the Initial Participant Contracts, the Reserved Capacity has been established as 6,120 AF/yr as presented above. Additionally, the cost

of public infrastructure projects has rose dramatically since the Board's February 2004, policy decision. At the October 27, 2005, Commission Meeting, Black & Veatch (B&V) identified the opinion of probable construction costs for the EIR-defined Project is likely over \$30M greater than the budget. At that meeting, B&V suggested several strategies for mitigating construction cost overages, and one of these was to re-distribute the Reserved Capacity by downsizing the pipeline diameter as the Project progresses southerly, effectively allowing for some Reserved Capacity to be "dropped off" along the pipeline and thus reducing the total amount of Reserved Capacity that would be delivered to the end of Project Unit H1.

District staff have evaluated the need to convey all 6,120 AF/yr of Reserved Capacity to the end of Unit H1, and concluded that re-distribution of that volume along the conveyance has merit, especially since the ultimate use of the Reserved Capacity is likely to be predominantly in the North County.

Staff evaluated several alternatives for re-distributing the Reserved Capacity, and the two reasonable alternatives are identified below.

Alt ID	Description
Alt 0	Do Nothing Alternative – Maintain the existing pipeline diameters to distribute all 6,120 AF/yr anywhere along the pipeline.
Alt 1	Downsize the conveyance of the Reserved Capacity based on the proportional Delivered Entitlement of the Initial Participants.

The tabulation below illustrates the volumetric distribution of the Reserved Capacity.

Total NWP Delivery (AF/yr)		15,750			
		Total Reserved Capacity Available at Turnout (AF/yr)		Amount of Reserved Capacity Dropped Off at Participant (AF/yr)	
Participant	Entitlements Per Aug 2004 Contracts (AF/yr)	Alt 0 (Existing)	Alt 1	Alt 0 (Existing)	Alt 1
Paso Robles	4,000	6,120	6,120	0	2,542
Templeton	250	6,120	3,578	0	159
Atascadero	2,000	6,120	3,419	0	1,271
San Luis Obispo	3,380	6,120	2,148	0	2,148
Total	9,630			0	6,120
Current NWP Reserved Capacity (AF/yr)		6,120			
Potential Reserved Capacity Available for Delivery in South County (South of City of SLO) - AF/yr		6,120	2,148		

TSG unanimously recommended at the December 6, 2005, meeting that Alternative 1 be approved by the Commission for implementation into the design and construction of the Project. Alternative 1 is expected to reduce the construction cost nominally within the range of \$8- to \$9-million. Alternative 1 can provide 2,148 acre-feet per year of

Reserved Capacity to the furthest extent of the pipeline based on the arithmetic proportioning of the existing 6,120 acre-feet per year Reserved Capacity; however, the actual hydraulic capacity of the conveyance will yield slightly more than this arithmetic amount. The designers are currently evaluating this theoretical capacity and Staff will report this to your Commission at a later time.

Re-distribution of the Reserved Capacity has trade-offs, namely reduced construction cost versus reduced hydraulic capacity to deliver all of the Reserved Capacity to the end of the pipeline. Re-distribution of the existing Reserved Capacity will reduce the amount of delivery of this existing capacity through the Nacimiento Water Pipeline to locations downstream of the Paso Robles turnout. Delivery of some or all of this reduced Reserved Capacity to points south which are hydraulically restricted can be accomplished with the future construction of a parallel pipeline barrel, or similar conveyance.

### **Other Agency Involvement/Impact**

The cities of Arroyo Grande and Grover Beach and the Oceano Community Services District are currently evaluating alternative sources of supplemental water. Under the revised policy, their ability to participate in the future is not restricted at this time, but would require them to expeditiously proceed with their engineering and environmental evaluations and would require fiscal commitments to cover, at a minimum, the incremental cost of upsizing the project to accommodate their future potential uses. Upon your Commission's approval of the recommended policy, your action would be forwarded to the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District for ratification.

### **Financial Considerations**

The original engineer's opinion of probable construction cost for the fully upsized pipeline was \$116.9M, and other financing, right-of-way, design, and construction related services were estimated at that time to bring the total project budget to \$150.0M.

The current engineer's opinion of probable construction cost for the fully upsized pipeline, based upon the current pipe sizing policy, is \$146.1M. When the other design and construction related services are added, the project budget required to build the project is estimated at \$179.2M. Several actions are being taken by the design firm to reduce this current project estimate, which is based on the EIR preliminary design alignment.

The Contracts for the project provide the four participating entities with the right to opt-out of the project if the total cost estimate exceeds \$150.0M after the initial construction bids are obtained. Thus, evaluating design details and cost implications is a significant management priority at this time. Your adoption of the proposed re-distribution of the Reserved Capacity utilizing Alternative 1 would reduce the current project cost estimate by about \$8- to \$9-million.



Financial trade-off to consider is the potential for reducing revenues from water deliveries resulting from hydraulic reduction in the carrying capacity of the Reserved Capacity south of the Paso Robles turnout. Deliveries of that water would require more capital investment to build a parallel (or similar) pipeline and modify existing pump stations.

## **Results**

Approval of the recommended action will result in, at a minimum, in the capability of the Project to deliver Reserved Capacity water to points of delivery in approximately the same proportions as is being designed for those agencies that are currently participating in the project, and will also result in project cost savings of approximately \$8- to \$9-million. The policy also provides that entities that were included in the EIR, and others not included, may negotiate terms and conditions so that capacity is constructed for their potential future use. The policy does reduce the amount of the current Reserved Capacity (6,120 AF/yr) deliver to points downstream of the Paso Robles turnout through the Nacimiento Water Pipeline unless a future parallel barrel to the pipeline (or some other similar conveyance) is constructed.

**Nacimiento Project Commission**  
**December 15, 2005**  
**Agenda Item VII.c – Appraiser Services**  
(Commission Action Required; Subsequent Board Action Required)

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**TO: Nacimiento Project Commission**

**FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager**

**VIA: Noel King, Director, Department of Public Works**

**DATE: December 15, 2005**

**Recommendation**

Authorize the Project Manager to negotiate Appraiser Services with both Schenberger, Taylor, McCormick and Jecker (STMJ) and Reeder, Gilman and Borgquist (RGB), working together to meet project schedule requirements, for a total not-to-exceed fee of \$190,000 in aggregate total between the two firms, and to submit to the District's Board of Supervisors for their approval.

**Discussion**

Hamner-Jewell and Associates (HJA) solicited proposals from four local appraisers on behalf of the Nacimiento Water Project (Project). The results of this inquire is presented in the following table.

<b>Firm</b>	<b>Estimated Fee</b>	<b>Comments</b>
Schenberger, Tayler, McCormick & Jecker, Inc (STMJ)	\$225,000 to \$240,000	<ul style="list-style-type: none"><li>• Work product judged best of all firms.</li><li>• Fee per parcel is over 2.5 times larger than other bidders.</li><li>• Estimated 7 to 9 months</li><li>• MAI certified</li></ul>
Reeder, Gilman & Borgquist (RGB)	\$110,000	<ul style="list-style-type: none"><li>• Work product judged very good.</li><li>• Timeliness of submitting work product is judged challenging</li><li>• MAI certified</li></ul>
Rincon Corporation (Rincon)	\$71,500 (no coordination included, just bare value per parcel)	<ul style="list-style-type: none"><li>• Work product is judged OK.</li><li>• Timeliness of submitting work product is judged very challenging</li><li>• Recent appraisals have been low</li><li>• Not MAI certified</li></ul>
Dennis Green (due to current workload, he declined to submit)		

HJA also contacted Mr. Tim Landes with Sierra West Valuations from Sacramento. Mr. Landes has recent experience in the north-county area; however, he indicated a heavy workload and could not support the project until next year.

HJA and the District evaluated the proposals, and developed the following strategies for the TSG to consider.

- STMJ is judged the best qualified but is significantly above the project budget; therefore, it is recommended to not give the entire Project to this firm, but instead, to engage them with the Project in specific key areas (namely fee acquisition properties) which will benefit the Project through schedule mitigation because the scope-of-work will have an impact on local resources due to the large man-power resource demands.
- RGB is judged very qualified and is within the project budget; however, the evaluation of the firm noted that the demands of the entire Project would significantly overload their resources. Timely delivery of appraisals is judged very important. Mitigation of the schedule and resources challenges that the Project presents to a single firm can be obtained by sharing the scope of work with STMJ. Therefore, the majority of the Project's appraisal services will be performed by RGB, and a minor portion will be performed by STMJ.
- Rincon was not recommended to be awarded the Project; however, if RGB deemed the project large enough to benefit from Rincon's help, then the District would support that business union. The principal at Rincon used to work at RGB, and thus the professional relationship already exists. HJA spoke to RGB after the evaluation meeting and RGB feels they are staffed to do the entire job without help from Rincon.

Both STMJ and RGB will be contracted directly with the District.

Other benefits, beside schedule mitigation, to the Project by having both STMJ and RGB on the Project Team are:

- Broader Skill Base—Involving two firms rather than one allows us to maximize specific staffing knowledge and skills in matching assignments to the most appropriate appraiser. This project covers all types of properties, including public lands, residential parcels, agricultural parcels, and some commercially-zoned properties. There are also leasehold interests at the Lake that need to be addressed. Having access to a diversified group of appraisers will increase our ability to structure assignments in a way that maximizes our ability for a “best fit” and a solid number to rely upon in negotiations for easement purchases.
- Cost Containment—Dividing the work between two firms allows us to save significant money from the “high bid” proposal, while continuing to retain the skills and involvement of the high bidder in certain assignments deemed complex and/or potential litigation.
- Reliability/Dependability—All local appraisal firms are relatively small for a project of this size. With the tight project timeline we will have for appraisal work, we cannot risk project delays due to unforeseen circumstances such as an accident or extended illness. Having more than one firm under contract helps

assure that the workload can keep progressing with a minimum of delay should any such unfortunate circumstances arise.

Management of the two firms to assure consistency in their work product will be through combined kickoff meetings which will establish the consistence in basic appraisal assumptions and approach between the two firms. Arrangements will also be made to assure sharing of data to eliminate duplication of efforts and assure efficiencies.

#### **Other Agency Involvement**

One parcel of land that the Project will obtain in fee is owned by Monterey County Water Resources Agency.

Parcels owned by the Participants and the District will not need to be appraised because the Participants have agreed to allow easement through these lands at no cost.

Parcels owned by the Corps of Engineers (Corps) through Camp Roberts will be appraised by the Corps at cost to the Project.

#### **Financial Considerations**

Engaging two firms by the District will require more administrative costs than if only one firm was engaged. Engaging the second rated firm to conduct the majority of the scope of work will significantly reduce the total overall cost of this scope of work. The existing line item budget for this task is \$90,000. The appraisal services will exceed this line item budget and will be managed by appropriating funds from the Design Phase Reserve Budget line item. Staff believes that the total aggregate appraisal services fee (which does not assume any fees for legally challenged rights-of-way) can be negotiated for \$190,000 or less.

#### **Results**

Approval of the recommended action will result in providing a cost effective and schedule-efficient means to conduct appraisals of private property for the Nacimiento Water Project.